

**DIEBOLD**  

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**NIXDORF**

**2017 Global Self-Checkout Systems  
Growth Excellence Leadership Award**

FROST & SULLIVAN

**BEST**  
*2017* **PRACTICES**  
**AWARD**

GLOBAL SELF-CHECKOUT SYSTEMS  
GROWTH EXCELLENCE LEADERSHIP AWARD

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## Background and Company Performance

### *Industry Challenges*

Today's customers are looking for a more personalized and interactive shopping experience; retailers want to achieve this experience but find themselves struggling with shrinking IT budgets and mounting technology investment costs. Global retailers, and those attempting to become global, are also looking to standardize hardware and software platforms to minimize long-term total cost of ownership (TCO).

Most self-checkout systems are fairly expensive, and that can be quite intimidating for retailers of all sizes. The majority of them are relatively new at the self-service concept so many are not willing to just jump right in. Although the ROI on self-checkout systems has largely exceeded expectations across the industry, retailers continue to cite the possibility of the system failing or repelling customers as a key risk, which remains a key deterrent to faster uptake of the technology.

The price of every self-checkout machine can be broadly classified into three categories. The first is the cost of the hardware. The robots, belts, scanners, display screens and other such hardware can add significantly to the overall cost. This number increases more or less linearly with the number of lanes being implemented in the store. The second component is the cost of implementation of the system. This includes tearing down the manual check-out lanes and installing the new ones apart from other mechanical work such as wiring and configuration. The third and rather large one-time cost is that of the software. Although the expense is a onetime investment and can be divided across the number of lanes being implemented, the addition to the total cost is substantial. The five or six figure price quotes are the first main hurdle that most retailers and vendors find difficult to cross.

Often, retailers tend to under-staff self-checkout lanes, which can cause considerable delays if inexperienced users create a bottleneck. More often than not, consumers who become confused or embarrassed about their inability to complete a transaction, tend to avoid self-checkout in the future. This makes the initial few transactions crucial from the retailer's perspective since the value proposition of self-checkout needs to be established with its customer base.

Very few companies in the self-checkout systems market have been able to balance their business and product strategies to match customer expectations across different retailer categories and geographies. Through its unique value proposition of being able to appeal to retailers looking for innovative self-service technology as well as cost-efficient investments, Diebold Nixdorf has continued to be an industry pioneer and leader in this space.

## Growth Performance and Customer Impact

Diebold Nixdorf amalgamates potent product innovation capabilities with decades of rich industry experience, making it a powerful player in the POS industry. **Following Diebold's** acquisition of Wincor Nixdorf for \$1.9 billion in 2016, Frost & Sullivan is convinced that the combined entity will continue to grow its commanding market position in both the US and Europe.

### Growth Strategy

Following the acquisition of Wincor Nixdorf, the new company has rejuvenated its growth strategy in the retail/self-service space through a multi-pronged focus on product innovation, collaboration, security, mobility and an omnichannel approach for retail transformation. **This focus has driven fundamental changes in Diebold Nixdorf's product line and the way it does business.**

**Diebold Nixdorf's product range includes a wide selection of retail-hardened self-checkout systems that cater to both SMB customers as well as multi-store bog-box retail deployments.** The products and services offered by the company in this space fall under its industry-leading POS Tower and BEETLE lines:

- POS Tower 150, 150 R, CINEO
- Pay Tower 150, 150 R, CINEO
- BEETLE ISCAN EASY SCO, Hybrid, Smart Pay, EASY eXpress, EASY Building Block
- Attendant Station
- TPISCAN software application



These systems are modular and scalable offering a wealth of options to customers looking to build their own solutions. This includes POS integration, branding options, a user-friendly interface, tender options, a compact footprint, etc.

Consulting is an incremental asset to raise efficiency of the checkout zone. Customer-friendly SCO user interface, professional planning of throughput times and selection of the technology lead to higher customer acceptance, customer satisfaction and enable productivity increases in the checkout zone. For this reason, Diebold Nixdorf is executing a customer-specific throughput analysis of the POS area, is working on a proposal for the integration of a self-service cash solution together with the new customer channels, and calculates the ROI as well as the TCO. The company continues, as a strategy, to focus on quality rather than quantity, inherently maintaining a price advantage in an otherwise cut-throat market with eroding profit margins. Partnerships and reseller relationships remain **part of Diebold Nixdorf's** strategic approach. The company has been able to develop healthy sales relationships not just with its retail customers but with mobility, security and segment-specific software providers, speaking to its strong foothold in the marketplace and ability to create a broadly attractive offering.

**Channels remain a dominant source of Diebold Nixdorf's revenue and thus any strategy for growth has to extend to the evolved strategy for the individual channel partners as well.** The company is approaching this on two fronts – first, by managing the complexity of its established interactions with partners, and second, by assisting channel partners to ensure retail clients are provided with the technical support and ongoing maintenance services that are required to effectively implement best practices and manage the self-checkout project from concept to deployment.

### **Price/Performance Value**

For any company, especially in the highly competitive self-service segment, pricing strategy plays a critical role in growth sustainability. Diebold Nixdorf prices its solutions aggressively in order to appeal to all categories of retailers by offering them a range of options that meet their budgets and specific requirements. Furthermore, the product innovations pushed by Diebold Nixdorf enhances their overall value proposition to customers by adding short and long term revenue streams and establishing customer loyalty.

**Diebold Nixdorf's** Red Dot Design Award winning BEETLE /iSCAN EASY self-checkout portfolio enables consumers to scan and bag their items and quickly pay using cards, or mobile wallet solutions, for example by near field communication (NFC)-enabled smartphones. Guided by an intuitive user interface and automated audio-visual prompts, consumers can rapidly complete their retail journey, even if they aim to buy items that are not pre-tagged with barcodes. The compact EASY Smart Pay or eXpress solutions features best-in-class components in an optimized footprint and complies with industry regulations covering user ergonomic standards for self-service terminals.

Building on this, Diebold Nixdorf showcased an innovative self-checkout concept featuring a highly secure EMV chip reader for the US retail market at the NRF show in 2017. **Conceived as “Extreme Self-Checkout”, the new terminal is less than 10 inches wide and can be used as an ATM, POS terminal and a self-checkout unit.** Leveraging Diebold Nixdorf’s TPISHOP mobile application, retailers can now offer a mobile-enabled shopping experience that starts at home where customers build a shopping list. In-store customers can scan their purchases using their smartphones and for completing the transaction they tap their NFC-enabled phone at the self-checkout system to pay when they are ready to leave. This is a classic instance of Diebold and Wincor Nixdorf bringing their expertise in the banking and retail domains to create tangible value for merchants and shoppers.

### **Brand Equity**

In a market with limited number of turnkey solution providers, many customers prefer Diebold Nixdorf due to its global presence and ability to provide self-checkout systems and ongoing support/maintenance and operations throughout the systems lifecycle and on global scale - now facilitated by Diebold Nixdorf’s enlarged team of more than 14,500 field service engineers. Diebold Nixdorf operates in over 130 countries and sales offices in **every major continent.** Frost & Sullivan’s research shows that globally, Diebold Nixdorf’s brand name is associated with quality, reliability, and security. Its large installed base supports its global sales and marketing infrastructure by enhancing its ability to expand its position in specific vertical and geographic markets. **The company’s close relationships with retailers worldwide enable it to better understand the regional market dynamics and adapt its products and solutions to each specific need.** The modular manufacturing strategy enables the vendor to build standardized solutions that can easily be adapted to meet the specific needs of local markets. This **is crucial to Diebold Nixdorf’s aim of getting its product to the customer faster and more efficiently.**

### **Customer Service Experience**

One of the major factors behind the implementation of Diebold Nixdorf self-checkout systems in retail stores is the marked increase in labor productivity and resource utilization. Studies reveal that 20 – 30 percent of the payroll in retail is typically directed towards cashiers. **With the introduction of Diebold Nixdorf’s systems, this figure can be considerably improved upon.** Labor productivity improvements can occur in two ways – the first would be to remove the labor element itself, often as a cost-cutting measure, while the second would be to re-direct the labor or resource into other departments where they can be better utilized. Further, customers indirectly pitch in to the process, thus subsidizing costs by performing the check-out themselves. Over a period of two to three years, this translates into greater profit margin for the retailer, often in turn resulting in lowered merchandise prices or better on-floor customer service which benefit the consumer and create further customer loyalty for the store, thus creating a powerful positive feedback loop.

Diebold Nixdorf has leveraged its unique position in the market through decades of

understanding retailer requirements with its POS solutions, and thereby identified significant cost savings and product features that enhance the customer experience.

## *Conclusion*

To be a leader in the rapidly evolving self-checkout space means to be on the leading edge of technology advances, to cater to changing retailer and consumer needs, and to leverage strong channel partnerships. Frost & Sullivan firmly believes that Diebold Nixdorf has established itself as one of the dominant players in the self-checkout market as a **direct consequence of its ability to bring “game changing” technology to its systems, its** continuing efforts at geographical expansion and convergence with synergistic technologies like mobile payments, EMV, ATMs etc. In recognition of its continued growth leadership, ability to cater to multiple retailer segments, channel partnership strategies and product innovation, Frost & Sullivan recognizes Diebold Nixdorf with the 2017 Growth Excellence Leadership Award.

## Significance of Growth Excellence Leadership

Growth Excellence Leadership is about inspiring customers to purchase from your company, and then to return time and again. In a sense, then, everything is truly about the customer, and making those customers happy is the cornerstone of any long-term successful growth strategy. Companies that excel in driving growth strive to be best-in-class in three key areas: meeting customer demand, fostering brand loyalty, and carving out a unique, sustainable market niche.



## Understanding Growth Excellence Leadership

Companies that creatively and profitably deliver value to customers ultimately set up their businesses for long-term, rapid growth. This is what Growth Excellence Leadership is all about: growth through customer focus, fostering a virtuous cycle of improvement and success.



## *Key Benchmarking Criteria*

For the Growth Excellence Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Growth Performance and Customer Impact—according to the criteria identified below.

### *Growth Performance*

#### **Criterion 1: Growth Strategy**

Requirement: Executive team has a shared vision for the organization's future growth and has created and implemented a strategy that is consistent with that vision.

#### **Criterion 2: Above-market Growth**

Requirement: Company's growth rate exceeds the industry's year-over-year growth rate.

#### **Criterion 3: Share of Wallet**

Requirement: Customers allocate a greater percentage of their total spend to purchasing products or services produced by the company.

#### **Criterion 4: Growth Diversification**

Requirements: Company is equally able to pursue organic (e.g., distribution channel optimization, new product innovation) or inorganic (e.g., acquisitions, partnerships) growth opportunities consistent with the long-term objectives of the organization.

#### **Criterion 5: Growth Sustainability**

Requirement: Company has consistently sought out opportunities for new growth, enabling the organization to build on its base and sustain growth over the long-term.

### *Customer Impact*

#### **Criterion 1: Price/Performance Value**

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

#### **Criterion 2: Customer Purchase Experience**

Requirement: Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints.

#### **Criterion 3: Customer Ownership Experience**

Requirement: Customers are proud to own the company's product or service and have a positive experience throughout the life of the product or service.

#### **Criterion 4: Customer Service Experience**

Requirement: Customer service is accessible, fast, stress-free, and of high quality.

#### **Criterion 5: Brand Equity**

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

## Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 <b>Monitor, target, and screen</b>	Identify Award recipient candidates from around the globe	<ul style="list-style-type: none"> <li>• Conduct in-depth industry research</li> <li>• Identify emerging sectors</li> <li>• Scan multiple geographies</li> </ul>	Pipeline of candidates who potentially meet all best-practice criteria
2 <b>Perform 360-degree research</b>	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> <li>• Interview thought leaders and industry practitioners</li> <li>• <b>Assess candidates' fit with best-practice criteria</b></li> <li>• Rank all candidates</li> </ul>	Matrix positioning of all <b>candidates' performance</b> relative to one another
3 <b>Invite thought leadership in best practices</b>	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> <li>• Confirm best-practice criteria</li> <li>• Examine eligibility of all candidates</li> <li>• Identify any information gaps</li> </ul>	Detailed profiles of all ranked candidates
4 <b>Initiate research director review</b>	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> <li>• Brainstorm ranking options</li> <li>• Invite multiple perspectives <b>on candidates' performance</b></li> <li>• Update candidate profiles</li> </ul>	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 <b>Assemble panel of industry experts</b>	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> <li>• Share findings</li> <li>• Strengthen cases for candidate eligibility</li> <li>• Prioritize candidates</li> </ul>	Refined list of prioritized Award candidates
6 <b>Conduct global industry review</b>	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> <li>• Hold global team meeting to review all candidates</li> <li>• Pressure-test fit with criteria</li> <li>• Confirm inclusion of all eligible candidates</li> </ul>	Final list of eligible Award candidates, representing success stories worldwide
7 <b>Perform quality check</b>	Develop official Award consideration materials	<ul style="list-style-type: none"> <li>• Perform final performance benchmarking activities</li> <li>• Write nominations</li> <li>• Perform quality review</li> </ul>	High-quality, accurate, and creative presentation of <b>nominees' successes</b>
8 <b>Reconnect with panel of industry experts</b>	Finalize the selection of the best-practice Award recipient	<ul style="list-style-type: none"> <li>• Review analysis with panel</li> <li>• Build consensus</li> <li>• Select recipient</li> </ul>	Decision on which company performs best against all best-practice criteria
9 <b>Communicate recognition</b>	Inform Award recipient of Award recognition	<ul style="list-style-type: none"> <li>• Present Award to the CEO</li> <li>• Inspire the organization for continued success</li> <li>• <b>Celebrate the recipient's performance</b></li> </ul>	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10 <b>Take strategic action</b>	Upon licensing, company is able to share Award news with stakeholders and customers	<ul style="list-style-type: none"> <li>• Coordinate media outreach</li> <li>• Design a marketing plan</li> <li>• <b>Assess Award's role in future strategic planning</b></li> </ul>	Widespread awareness of <b>recipient's Award status</b> among investors, media personnel, and employees

## The Intersection between 360-Degree Research and Best Practices Awards

### Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



### About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.